

Message Text

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TAGS: EAIR, UK

SUBJECT: CIVAIR: US-UK AVIATION RELATIONS - SECRETARY
RICHARDSON'S COMMENTS AND PRESS GUIDANCE

REF: LONDON 212110

1. SECRETARY RICHARDSON WAS BRIEFED ON QUESTIONS OF UK
RESTRICTIONS ON US AIRLINES' SERVICES THIS WINTER AND
RENEGOTIATION OF BERMUDA AGREEMENT IN EVENT THESE SUBJECTS
CAME UP IN COURSE OF QUESTIONS FOLLOWING HIS SALT LAKE CITY
ADDRESS TO TOURIST INDUSTRY. USDOC INDICATES HE WAS
QUESTIONED AND RESPONDED AS FOLLOWS:

Q: HOW DO YOU VIEW THE RECENT BRITISH RENUNCIATION OF
THE US-UK AIR TRANSPORT SERVICES AGREEMENT? WILL IT
AFFECT TOURISM BETWEEN THE TWO COUNTRIES?

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A: I VIEW THE SITUATION AS SERIOUS AND I BELIEVE IT COULD VERY WELL AFFECT TWO-WAY TOURISM BETWEEN OUR COUNTRIES.

THE SO-CALLED BERMUDA AGREEMENT SERVES AS A MODEL FOR BILATERAL AIR AGREEMENTS BETWEEN THE UNITED STATES AND 60 OTHER NATIONS. IT HAS FOSTERED THE ENORMOUS EXPANSION

OF INTERNATIONAL TRAVEL SINCE THE END OF WORLD WAR II AND FROM WHICH WE HAVE ALL BENEFITED. UNDER THE AGREEMENT, THE CARRIERS HAVE ENJOYED FAIR AND EQUAL COMPETITIVE OPPORTUNITY, AND WE WOULD LIKE TO SEE THAT CONTINUE. WE WOULD LIKE TO AVOID ANY PREDETERMINATION OF CAPACITY AND, IN FACT, REJECT THE CONCEPT OF ANY MARKET SHARE AGREEMENT.

THE BRITISH GOVERNMENT'S ANNOUNCEMENT OF ITS INTENTION TO IMPOSE CAPACITY RESTRICTIONS BEGINNING IN NOVEMBER ON US AND BRITISH CARRIERS OPERATING BETWEEN LONDON AND MIAMI AND LONDON AND CHICAGO IS IN CONTRAVENTION OF THE EXISTING BILATERAL, WHICH IS STILL IN FORCE UNTIL NEXT JUNE, AND IS MOST DISTURBING. SUCH RESTRICTIONS ARE LIKELY TO LEAD TO THE ELIMINATION OF COMPETITION AMONG FLAG CARRIERS AND, CONSEQUENTLY, TO A REDUCTION IN QUANTITY AND QUALITY OF AIR SERVICE AS WELL AS TO EXCESSIVE AIR FARES, AND, IN ADDITION, MAY SERIOUSLY INJURE THE INTERESTS OF BOTH INDIVIDUAL TOURISTS AND THE TRAVEL INDUSTRIES OF THE UNITED STATES, THE UNITED KINGDOM AND THIRD COUNTRIES. I BELIEVE THE BENEFITS OF TOURISM TO ALL COUNTRIES ARE TOO IMPORTANT TO BE SUBORDINATED TO PAROCHIAL CONSIDERATIONS AND I WOULD BE REMISS IF I DID NOT MAKE THAT POINT.

THE US IS REVIEWING ITS OPTIONS AT THIS POINT. I UNDERSTAND THAT IT HAS BEEN REPORTED IN THE PRESS THAT WE ARE CONSIDERING A CESSATION OF SERVICE. WHILE WE DO NOT ANTICIPATE SUCH A STOPPAGE, I MUST SAY, IT IS A POSSIBILITY IF WE CANNOT NEGOTIATE IN A MORE REASONABLE CLIMATE.

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2. FOLLOWING IS ADDITIONAL PRESS GUIDANCE CLEARED ON AUGUST 26 FOR USE BY DEPARTMENT SPOKESMAN. PRESS CORPS DID NOT RAISE QUESTIONS CONCERNING US-UK AVIATION RELATIONS ON AUGUST 26.

Q: WOULD YOU DESCRIBE THE NATURE OF THE RECENT BRITISH RESTRICTIONS ON US AIRLINES?

A: ON AUGUST 12 THE UK DEPARTMENT OF TRADE ANNOUNCED THAT IT HAD REJECTED PROPOSALS OF US AIRLINES ON THE NUMBER OF WEEKLY FLIGHTS THE AIRLINES WOULD OPERATE ON TWO TRANSATLANTIC ROUTES BETWEEN THE US AND UK, I.E., CHICAGO AND MIAMI. THE DEPARTMENT OF TRADE SAID IT WOULD NOT ALLOW MORE THAN FOUR FLIGHTS A WEEK BETWEEN CHICAGO AND LONDON (TWA PLANS TO OPERATE FIVE) AND NO MORE THAN FIVE FLIGHTS A WEEK BETWEEN MIAMI AND LONDON (NATIONAL PLANS TO OPERATE SEVEN FLIGHTS A WEEK. THE BRITISH

RESTRICTIONS APPLY TO BRITISH AIRWAYS AS WELL, BUT ARE AT LEVELS WHICH WE UNDERSTAND BRITISH AIRWAYS PREFERS TO OPERATE.

Q: ARE THE BRITISH RESTRICTIONS COMPATIBLE WITH THE BERMUDA AGREEMENT?

A: THE UNITED STATES TAKES THE POSITION THE ANNOUNCED BRITISH INTENTIONS TO REDUCE TWA AND NATIONAL AIRLINES BELOW THE LEVELS THEY PLAN OPERATING THIS WINTER ARE INCONSISTENT WITH THE US-UK AIR SERVICES AGREEMENT OF 1946 (THE SO-CALLED BERMUDA AGREEMENT). IN THEIR AUGUST 12 ANNOUNCEMENT, THE UK DEPARTMENT OF TRADE SAID THE OPERATIONS PLANNED BY THE TWO US AIRLINES WERE "FAR MORE THAN WARRANTED," BUT THE TWO US AIRLINES HAVE TOLD US THEY COULD OPERATE PROFITABLY AT THE LEVELS OF FIVE AT CHICAGO AND SEVEN AT MIAMI. IN ANY EVENT, IN OUR DISCUSSIONS WITH THE BRITISH PRIOR TO AUGUST 12 WITH RESPECT TO THESE TWO MARKETS, WE INDICATED THAT FORECASTS OF TRAFFIC GROWTH DID NOT JUSTIFY GOVERNMENTAL INTERVENTION IN THOSE MARKETS.

Q: DO YOU PLAN TO DISCUSS THIS MATTER WITH THE BRITISH?
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A: WE HAVE ALREADY DISCUSSED THE MATTER WITH THE BRITISH, BUT I CANNOT COMMENT ON WHAT WILL HAPPEN AT THIS POINT. WE PLAN TO MEET WITH THE BRITISH IN LONDON IN EARLY SEPTEMBER IN WHAT WILL BE THE FIRST OF SEVERAL SESSIONS TO RENEGOTIATE THE BERMUDA AGREEMENT. AS YOU KNOW, THE BRITISH SERVED ONE-YEAR NOTICE OF TERMINATION OF THIS 30-YEAR OLD AGREEMENT ON JUNE 22. AT THE SEPTEMBER MEETING WE PLAN TO DISCUSS THE MANAGEMENT OF THE NEGOTIATION, I.E., THE IDENTIFICATION OF THE ISSUES AND THE FUTURE SCHEDULE FOR DEALING WITH THEM.

Q: WHY DO THE BRITISH WANT TO TERMINATE THE BERMUDA AGREEMENT?

A: IN JUNE WHEN THEY SERVED NOTICE OF TERMINATION, THE BRITISH ANNOUNCED THEY WERE CONCERNED WITH THE DISPARITY OF BENEFITS THAT FAVORS US AIRLINES AND WITH SOME FEATURES OF THE AGREEMENT WHICH NEEDED REVISION GIVEN THE PASSAGE OF TIME.

Q: WHAT ARE THE RELATIVE US AND UK AIRLINE MARKET SHARES?

A: OVERALL--TRANSATLANTIC AND PACIFIC (HONG KONG)-- THE SHARES ARE 70-30 IN FAVOR OF US AIRLINES. IN THE

TRANSATLANTIC THE SHARES ARE 60-40 IN FAVOR OF US AIRLINES.

Q: IS THERE ANY LINK BETWEEN THE BRITISH ACTION TO RESTRICT TWA AND NATIONAL AND THEIR RENEGOTIATION OBJECTIVES?

A: WE CANNOT SPECULATE ON THIS. THE TASK OF RENEGOTIATING THE BERMUDA AGREEMENT WILL BE EXTREMELY COMPLEX AND SHOULD TAKE PLACE IN A CALM AND ORDERLY ATMOSPHERE. WHILE THESE NEGOTIATIONS ARE IN PROGRESS WE BELIEVE IT WOULD BE IN OUR JOINT INTERESTS TO AVOID RELATIVELY MINOR SITUATIONS WHICH NEVERTHELESS HAVE THE POTENTIAL FOR MAKING THE NEGOTIATIONS MUCH MORE DIFFICULT.

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